

WAYNE COMMUNITY SCHOOL DISTRICT
CORYDON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

Year Ended June 30, 2020

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Wayne Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Board of Education		
Kevin Comer	President	2023
Bill Byrns	Vice President	2021
Brandon Carpenter	Board Member	2023
Dan Carpenter	Board Member	2021
Kristina Pollock	Board Member	2023
School Officials		
Mike Still	Superintendent	Indefinite
Denise Larson	District Secretary/ Treasurer/Business Manager	Indefinite
Ahlers & Cooney, P.C.	Attorney	Indefinite

Wayne Community School District



FALLER, KINCHELOE & Co, PLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Education of
Wayne Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wayne Community School District (District), Corydon, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 13 and 41 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2021 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Faller, Kincheloe & Co., PLC

February 12, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wayne Community School District (District) provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,969,357 in fiscal year 2019 to \$7,208,954 in fiscal year 2020, while General Fund expenditures increased from \$6,471,584 in fiscal year 2019 to \$6,555,332 in fiscal year 2020. The District's General Fund balance increased from \$3,344,194 at the end of fiscal year 2019 to \$3,999,154 at the end of fiscal year 2020, a 19.6% increase.
- The fiscal year 2020 General Fund revenue increase was attributable to an increase in the funds received from state sources. The increase in expenditures was primarily due to an increase in payroll and related benefits paid by the District.
- The District continues to make significant improvements to its facilities and equipment, including technology, from the use of Physical Plant and Equipment Levy funds and the Statewide Sales, Services and Use Tax funds.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary information provides detailed information about the nonmajor governmental funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and the FFA student farm are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the FFA Student Farm Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide service for other District programs and activities. The District currently has one Internal Service Fund, the Health Insurance Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities June 30,		Business Type Activities June 30,		Total District June 30,		Total Change June 30, 2019-2020
	2020	2019	2020	2019	2020	2019	
Current and other assets	\$ 9,171	8,126	193	190	9,364	8,316	12.6%
Capital assets	4,864	4,922	127	96	4,991	5,018	-0.5%
Total assets	14,035	13,048	320	286	14,355	13,334	7.7%
Deferred outflows of resources	752	939	24	27	776	966	-19.7%
Long-term liabilities	7,048	7,671	142	144	7,190	7,815	-8.0%
Other liabilities	756	724	9	1	765	725	5.5%
Total liabilities	7,804	8,395	151	145	7,955	8,540	-6.9%
Deferred inflows of resources	3,421	2,805	17	7	3,438	2,812	22.3%
Net position:							
Net investment in capital assets	2,306	2,411	127	96	2,433	2,507	-3.0%
Restricted	1,814	1,886	-	-	1,814	1,886	-3.8%
Unrestricted	(558)	(1,510)	49	65	(509)	(1,445)	64.8%
Total net position	\$ 3,562	2,787	176	161	3,738	2,948	26.8%

The District's total net position increased 26.8%, or approximately \$790,000, from the prior year.

A large portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$72,000, or 3.8% from the prior year. The decrease was mainly due to the reduction of funds restricted for management levy purposes.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$936,000 or 64.8%. The deficit balance in the unrestricted net position is primarily a result of the District's net pension liability and related OPEB liability.

Figure A-2 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-2
Changes in Net Position
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2020	2019	2020	2019	2020	2019	2019-2020
Revenues:							
Program revenues:							
Charges for service	\$ 645	732	107	144	752	876	-14.2%
Operating grants, contributions and restricted interest	1,732	1,435	259	229	1,991	1,664	19.7%
Capital grants, contributions and restricted interest	-	3	-	-	-	3	-100.0%
General revenues:							
Property tax	2,530	2,478	-	-	2,530	2,478	2.1%
Income surtax	90	58	-	-	90	58	55.2%
Statewide sales, services and use tax	593	592	-	-	593	592	0.2%
Unrestricted state grants	2,605	2,521	-	-	2,605	2,521	3.3%
Unrestricted investment earnings	79	73	1	1	80	74	8.1%
Gain on disposition of capital assets	49	2	-	-	49	2	2350.0%
Other	137	93	-	-	137	93	47.3%
Total revenues	8,460	7,987	367	374	8,827	8,361	5.6%
Program expenses:							
Governmental activities:							
Instruction	4,841	5,152	-	-	4,841	5,152	-6.0%
Support services	2,084	2,106	-	-	2,084	2,106	-1.0%
Non-instructional programs	2	1	351	407	353	408	-13.5%
Other expenses	759	695	-	-	759	695	9.2%
Total expenses	7,686	7,954	351	407	8,037	8,361	-3.9%
Excess (deficiency) of revenues over(under) expenditures	774	33	16	(33)	790	-	100.0%
Other financing sources (uses)	1	-	(1)	-	-	-	0.0%
Change in net position	775	33	15	(33)	790	-	100.0%
Net position beginning of year	2,787	2,754	161	194	2,948	2,948	0.0%
Net position end of year	\$ 3,562	2,787	176	161	3,738	2,948	26.8%

In fiscal year 2020, property tax and unrestricted state grants accounted for 60.7% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 99.7% of the revenue from the business type activities.

The District's total revenues were approximately \$8.827 million of which approximately \$8.460 million was for governmental activities and approximately \$367,000 was for business type activities.

As shown in figure A-2, the District as a whole experienced a 5.6% increase in revenues and a 3.9% decrease in expenses. The increase in revenue was due to an increase in monies from state sources.

Governmental Activities

Revenues for governmental activities were \$8,461,307 and expenses were \$7,686,362 for the year ended June 30, 2020. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2020	2019	2019-2020	2020	2019	2019-2020
Instruction	\$ 4,841	5,152	-6.0%	2,880	3,268	-11.9%
Support services	2,084	2,106	-1.0%	1,926	2,076	-7.2%
Non-instructional programs	2	1	100.0%	2	1	100.0%
Other expenses	759	695	9.2%	500	439	13.9%
Totals	\$ 7,686	7,954	-3.4%	5,308	5,784	-8.2%

For the year ended June 30, 2020:

- The cost financed by users of the District's programs was \$645,214. This is mainly open enrollment and special education tuition in revenue.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,732,416.
- The net cost of governmental activities was financed with \$3,212,152 in property and other taxes and \$2,604,789 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$366,223 representing a 2.2% decrease under the prior year while expenses totaled \$350,848, a 13.9% decrease under the prior year. The District's business type activities include the School Nutrition Fund and the FFA Student Farm Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,360,676 well above last year's ending fund balances of \$4,828,484

Governmental Fund Highlights

- The District's General Fund financial position increased in fiscal year 2020. We have attempted to match revenues with expenditures in order to avoid deficit spending. The staff and administration have worked hard to keep costs to a minimum while still offering our students the best education possible.

The General Fund balance increased from \$3,344,194 to \$3,999,154, a 19.6% increase. This increase was due to spending less money than received in the General Fund.

- The Debt Service Fund balance increased from \$211,634 at the end of fiscal year 2019 to \$238,617 at the end of fiscal year 2020. During the fiscal year, our existing bond was refinanced. The new debt issued in the fiscal year amounted to \$2,190,000. The proceeds of this new debt was used to pay off the old debt. This refinancing saved the District several thousand dollars.
- The Capital Projects Fund balance increased from \$701,727 at the end of fiscal year 2019 to \$720,312 at the end of fiscal year 2020. The increase can be attributed to just receiving more money in this fund than the related costs paid from this fund.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$155,791 at June 30, 2019 to \$148,391 at June 30, 2020. The District has worked hard to not stockpile supplies and to be efficient in the preparation and serving of the food. We hope through the continued use of sound purchasing practices we are able to keep the costs down.

BUDGETARY HIGHLIGHTS

The District's revenues were \$305,949 more than budgeted revenues, a variance of 3.7%. The most significant variance resulted from the District receiving more money from state sources than originally anticipated, mainly due to not knowing how much of these types of monies will be received by the District.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, expenditures in the other expenditures functional area exceeded the amount budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had invested approximately \$4.991 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 0.5% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$531,407 for both governmental and business type activities.

The original cost of the District's capital assets was approximately \$14.86 million. Governmental funds account for approximately \$14.54 million, with the remainder of approximately \$321,000 accounted for in the Proprietary, School Nutrition Fund.

During the year, the increases in assets primarily consisted of the costs incurred for a new busses, equipment and building improvements. The decrease in net assets during the year was due to depreciation expense and the disposal of assets which were not fully depreciated.

Figure A-4
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Land	\$ 305	305	-	-	305	305	0.0%
Buildings	1,446	1,610	-	-	1,446	1,610	-10.2%
Improvements other than buildings	2,569	2,692	-	-	2,569	2,692	-4.6%
Furniture and equipment	544	315	127	96	671	411	63.3%
Totals	\$ 4,864	4,922	127	96	4,991	5,018	-0.5%

Long-Term Debt

At June 30, 2020, the District had \$2,559,000 in long term debt outstanding. This represents a decrease of approximately 1.5% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The increase in long-term debt was due to new revenue bonds and capital lease debt incurred in the fiscal year in excess of scheduled debt payments and the payoff of existing revenue bonds in fiscal year 2020.

Figure A-5
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District June 30,		Total Change June 30, 2019-2020
	2020	2019	
Revenue bonds	\$ 2,190	2,285	-4.2%
Capital lease	369	226	63.3%
Total	\$ 2,559	2,511	1.9%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Local option sales and services tax revenues have a significant impact on building improvements.
- Grants are sought to help with educational improvements in the district.
- Several building and grounds improvements are being done to keep facilities in good condition.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise Larson, District Secretary/Treasurer and Business Manager, Wayne Community School District, 102 N Dekalb Street, Corydon, Iowa, 50060.

Basic Financial Statements

Statement of Net Position

June 30, 2020

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 6,015,935	164,181	6,180,116
Receivables:			
Property tax:			
Delinquent	24,738	-	24,738
Succeeding year	2,880,727	-	2,880,727
Accounts	580	70	650
Due from other funds	8,304	-	8,304
Due from other governments	240,208	10,894	251,102
Inventories	-	18,119	18,119
Capital assets, net of accumulated depreciation	4,864,340	127,170	4,991,510
Total assets	14,034,832	320,434	14,355,266
Deferred Outflows of Resources			
Pension related deferred outflows	751,841	24,053	775,894
Liabilities			
Accounts payable	183,925	601	184,526
Salaries and benefits payable	536,605	-	536,605
Due to other funds	-	8,304	8,304
Accrued interest payable	36,597	-	36,597
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	210,000	-	210,000
Capital lease	142,810	-	142,810
Compensated absences	57,641	-	57,641
Portion due after one year:			
Revenue bonds	1,980,000	-	1,980,000
Capital lease	225,980	-	225,980
Net pension liability	3,029,197	96,909	3,126,106
Total OPEB liability	1,401,586	45,170	1,446,756
Total liabilities	7,804,341	150,984	7,955,325
Deferred Inflows of Resources			
Unavailable property tax revenue	2,880,727	-	2,880,727
Pension related deferred inflows	539,782	17,269	557,051
Total deferred inflows of resources	3,420,509	17,269	3,437,778
Net position			
Net investment in capital assets	2,305,550	127,170	2,432,720
Restricted for:			
Categorical funding	489,463	-	489,463
Debt service	202,020	-	202,020
Management levy purposes	337,083	-	337,083
Student activities	65,510	-	65,510
School infrastructure	624,891	-	624,891
Physical plant and equipment	95,421	-	95,421
Unrestricted	(558,115)	49,064	(509,051)
Total net position	\$ 3,561,823	176,234	3,738,057

See notes to financial statements.

Wayne Community School District

Exhibit B

Statement of Activities

Year ended June 30, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,720,620	399,705	1,063,032	-	(1,257,883)	-	(1,257,883)
Special instruction	757,285	53,579	242,745	-	(460,961)	-	(460,961)
Other instruction	1,363,129	185,041	16,466	-	(1,161,622)	-	(1,161,622)
	<u>4,841,034</u>	<u>638,325</u>	<u>1,322,243</u>	<u>-</u>	<u>(2,880,466)</u>	<u>-</u>	<u>(2,880,466)</u>
Support services:							
Student	56,130	-	-	-	(56,130)	-	(56,130)
Instructional staff	183,829	-	-	-	(183,829)	-	(183,829)
Administration	718,293	-	-	-	(718,293)	-	(718,293)
Operation and maintenance of plant	717,273	1,383	19,313	-	(696,577)	-	(696,577)
Transportation	408,751	5,506	131,664	-	(271,581)	-	(271,581)
	<u>2,084,276</u>	<u>6,889</u>	<u>150,977</u>	<u>-</u>	<u>(1,926,410)</u>	<u>-</u>	<u>(1,926,410)</u>
Non-instructional programs	<u>2,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,420)</u>	<u>-</u>	<u>(2,420)</u>
Other expenditures:							
Facilities acquisition	160,245	-	-	-	(160,245)	-	(160,245)
Long-term debt interest	112,376	-	12,586	-	(99,790)	-	(99,790)
AEA flowthrough	246,610	-	246,610	-	-	-	-
Depreciation (unallocated)*	239,401	-	-	-	(239,401)	-	(239,401)
	<u>758,632</u>	<u>-</u>	<u>259,196</u>	<u>-</u>	<u>(499,436)</u>	<u>-</u>	<u>(499,436)</u>
Total governmental activities	<u>7,686,362</u>	<u>645,214</u>	<u>1,732,416</u>	<u>-</u>	<u>(5,308,732)</u>	<u>-</u>	<u>(5,308,732)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	343,121	107,342	229,043	-	-	(6,736)	(6,736)
Student farm activities	7,727	-	30,502	-	-	22,775	22,775
Total business type activities	<u>350,848</u>	<u>107,342</u>	<u>259,545</u>	<u>-</u>	<u>-</u>	<u>16,039</u>	<u>16,039</u>
Total	<u>\$ 8,037,210</u>	<u>752,556</u>	<u>1,991,961</u>	<u>-</u>	<u>(5,308,732)</u>	<u>16,039</u>	<u>(5,292,693)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,450,474	-	2,450,474
Capital outlay					79,052	-	79,052
Statewide sales, services and use tax					593,126	-	593,126
Income surtax					89,500	-	89,500
Unrestricted state grants					2,604,789	-	2,604,789
Unrestricted investment earnings					79,554	674	80,228
Gain on disposition of capital assets					48,938	-	48,938
Other					136,906	-	136,906
Transfers					1,338	(1,338)	-
Total general revenues					<u>6,083,677</u>	<u>(664)</u>	<u>6,083,013</u>
Change in net position					774,945	15,375	790,320
Net position beginning of year					<u>2,786,878</u>	<u>160,859</u>	<u>2,947,737</u>
Net position end of year					<u>\$ 3,561,823</u>	<u>176,234</u>	<u>3,738,057</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Wayne Community School District

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2020

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 4,615,286	\$ 238,617	741,589	416,470	6,011,962
Receivables:					
Property tax:					
Delinquent	22,420	-	773	1,545	24,738
Succeeding year	2,516,694	-	89,033	275,000	2,880,727
Accounts	580	-	-	-	580
Due from other funds	-	-	14,965	8,304	23,269
Due from other governments	190,255	-	49,953	-	240,208
Total assets	\$ 7,345,235	238,617	896,313	701,319	9,181,484
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 100,744	-	74,420	8,761	183,925
Salaries and benefits payable	536,605	-	-	-	536,605
Due to other funds	-	-	-	14,965	14,965
Total liabilities	637,349	-	74,420	23,726	735,495
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,516,694	-	89,033	275,000	2,880,727
Other	192,038	-	12,548	-	204,586
Total deferred inflows of resources	2,708,732	-	101,581	275,000	3,085,313
Fund balances:					
Restricted for:					
Categorical funding	489,463	-	-	-	489,463
Debt service	-	238,617	-	-	238,617
Management levy purposes	-	-	-	337,083	337,083
Student activities	-	-	-	65,510	65,510
School infrastructure	-	-	624,891	-	624,891
Physical plant and equipment	-	-	95,421	-	95,421
Unassigned	3,509,691	-	-	-	3,509,691
Total fund balances	3,999,154	238,617	720,312	402,593	5,360,676
Total liabilities, deferred inflows of resources and fund balances	\$ 7,345,235	238,617	896,313	701,319	9,181,484

See notes to financial statements.

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2020

Total fund balances of governmental funds (page 17) **\$ 5,360,676**

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

4,864,340

The Internal Service Fund is used by management to charge the costs of the District's partial self funding of the health insurance plan to individual funds. The assets and liabilities of the Internal Service Fund is included in governmental activities in the Statement of Net Position.

3,973

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

204,586

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.

(36,597)

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 751,841	
Deferred inflows of resources	<u>(539,782)</u>	212,059

Long-term liabilities, including revenue bonds payable, capital lease payable, compensated absences payable, total OPEB liability and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(7,047,214)

Net position of governmental activities (page 15) **\$ 3,561,823**

See notes to financial statements.

Wayne Community School District

Exhibit E

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2020

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,331,446	-	78,443	156,797	2,566,686
Tuition	417,073	-	-	-	417,073
Other	198,889	3,184	43,594	192,031	437,698
State sources	3,880,439	-	593,735	1,216	4,475,390
Federal sources	357,338	-	3,581	-	360,919
Total revenues	7,185,185	3,184	719,353	350,044	8,257,766
Expenditures:					
Current:					
Instruction:					
Regular	2,673,459	-	-	183,673	2,857,132
Special	775,545	-	-	10,675	786,220
Other	1,180,180	-	-	191,325	1,371,505
	4,629,184	-	-	385,673	5,014,857
Support services:					
Student	54,919	-	-	689	55,608
Instructional staff	182,655	-	-	2,369	185,024
Administration	663,105	-	-	57,289	720,394
Operation and maintenance of plant	478,043	-	-	48,578	526,621
Transportation	300,816	-	326,304	21,362	648,482
	1,679,538	-	326,304	130,287	2,136,129
Non-instructional programs	-	-	-	2,420	2,420
Other expenditures:					
Facilities acquisition	-	-	385,578	-	385,578
Long-term debt:					
Principal	-	2,457,914	-	-	2,457,914
Interest and fiscal charges	-	118,937	-	-	118,937
AEA flowthrough	246,610	-	-	-	246,610
	246,610	2,576,851	385,578	-	3,209,039
Total expenditures	6,555,332	2,576,851	711,882	518,380	10,362,445
Excess (deficiency) of revenues over (under) expenditures	629,853	(2,573,667)	7,471	(168,336)	(2,104,679)
Other financing sources (uses):					
Sale of capital assets	23,769	-	106,264	-	130,033
Issuance of capital lease	-	-	315,500	-	315,500
Proceeds of revenue bond	-	2,190,000	-	-	2,190,000
Transfers in	1,338	410,650	-	-	411,988
Transfers out	-	-	(410,650)	-	(410,650)
Total other financing sources (uses)	25,107	2,600,650	11,114	-	2,636,871
Change in fund balances	654,960	26,983	18,585	(168,336)	532,192
Fund balances beginning of year	3,344,194	211,634	701,727	570,929	4,828,484
Fund balances end of year	\$ 3,999,154	238,617	720,312	402,593	5,360,676

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2020

Net change in fund balances - total governmental funds (page 19) **\$ 532,192**

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were more than depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 540,833	
Depreciation expense	<u>(517,754)</u>	23,079

In the Statement of Activities, the gain (loss) on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. Thus, the net change in net position differs in the governmental fund balance by the net book value of the assets sold.

(81,095)

Because some revenues will not be collected for several months after the year end, they are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.

153,265

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	\$ (2,505,500)	
Repaid	<u>2,457,914</u>	(47,586)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

6,561

The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.

381,551

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(21,543)	
Pension expense	(539,897)	
OPEB expense	<u>367,969</u>	(193,471)

The Internal Service fund is used by management to charge the costs of the District's partial self funding of the health insurance plan to individual funds. The change in net assets of the Internal Service Fund are reported in governmental activities.

449

Change in net position of governmental activities (page 16)

\$ 774,945

Statement of Net Position
Proprietary Fund

June 30, 2020

	Business Type Activities - Enterprise Funds			Governmental Activities
	School Nutrition	Nonmajor - FFA Student Farm	Total	Internal Service - Health Insurance
Assets				
Current assets:				
Cash, cash equivalents and pooled investments	\$ 164,181	-	164,181	3,973
Accounts receivable	70	-	70	-
Due from other governments	10,894	-	10,894	-
Inventories	18,119	-	18,119	-
Total current assets	193,264	-	193,264	3,973
Noncurrent assets:				
Capital assets, net of accumulated depreciation	90,927	36,243	127,170	-
Total noncurrent assets	90,927	36,243	127,170	-
Total assets	284,191	36,243	320,434	3,973
Deferred Outflows of Resources				
Pension related deferred outflows	24,053	-	24,053	-
Liabilities				
Current liabilities:				
Accounts payable	505	96	601	-
Due to other funds	-	8,304	8,304	-
Total current liabilities	505	8,400	8,905	-
Noncurrent liabilities:				
Net pension liability	96,909	-	96,909	-
Total OPEB liability	45,170	-	45,170	-
Total noncurrent liabilities	142,079	-	142,079	-
Total liabilities	142,584	8,400	150,984	-
Deferred Inflows of Resources				
Pension related deferred inflows	17,269	-	17,269	-
Total deferred inflows of resources	17,269	-	17,269	-
Net Position				
Net investment in capital assets	90,927	36,243	127,170	-
Unrestricted	57,464	(8,400)	49,064	3,973
Total net position	\$ 148,391	27,843	176,234	3,973

See notes to financial statements.

Wayne Community School District

Exhibit H

Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2020

	Business Type Activities - Enterprise Funds			Governmental Activities
	School Nutrition	Nonmajor - FFA Student Farm	Total	Internal Service - Health Insurance
Operating revenues:				
Local sources:				
Charges to operating funds	\$ -	-	-	39,912
Charges for services	103,432	-	103,432	-
Student farm revenue	-	30,502	30,502	-
Miscellaneous	3,910	-	3,910	-
Total operating revenue	107,342	30,502	137,844	39,912
Operating expenses:				
Non-instructional programs:				
Salaries	131,094	-	131,094	-
Benefits	41,874	-	41,874	-
Purchased services	9,971	-	9,971	-
Supplies	146,529	-	146,529	-
Depreciation	13,653	-	13,653	-
Student farm operations	-	7,727	7,727	-
Medical claims	-	-	-	39,463
Total operating expenses	343,121	7,727	350,848	39,463
Operating income (loss)	(235,779)	22,775	(213,004)	449
Non-operating revenues:				
State sources	2,723	-	2,723	-
Federal sources	226,320	-	226,320	-
Interest income	674	-	674	-
Total non-operating revenues	229,717	-	229,717	-
Excess (deficiency) of revenues over (under) expenses	(6,062)	22,775	16,713	449
Transfers out	(1,338)	-	(1,338)	-
Change in net position	(7,400)	22,775	15,375	449
Net position beginning of year	155,791	5,068	160,859	3,524
Net position end of year	\$ 148,391	27,843	176,234	3,973

See notes to financial statements.

Wayne Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2020

	Business Type Activities - Enterprise Funds			Governmental Activities
	School Nutrition	Nonmajor - FFA Student Farm	Total	Internal Service - Health Insurance
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 106,601	-	106,601	-
Cash received from student farm activities	-	30,502	30,502	-
Cash received from operating fund reimbursements	-	-	-	39,912
Cash received from miscellaneous	3,910	-	3,910	-
Cash paid to employees for services	(162,095)	-	(162,095)	-
Cash paid to suppliers for goods and services	(145,657)	(7,631)	(153,288)	(39,463)
Net cash provided (used) by operating activities	(197,241)	22,871	(174,370)	449
Cash flows from non-capital financing activities:				
State grants received	2,723	-	2,723	-
Federal grants received	192,608	-	192,608	-
Net cash provided by non-capital financing activities	195,331	-	195,331	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(12,816)	(31,782)	(44,598)	-
Transfers out	(1,338)	-	(1,338)	-
Interfund loan increase	-	8,304	8,304	-
Net cash used by capital and related financing activities	(14,154)	(23,478)	(37,632)	-
Cash flows from investing activities:				
Interest on investments	674	-	674	-
Net increase (decrease) in cash and cash equivalents	(15,390)	(607)	(15,997)	449
Cash and cash equivalents beginning of year	179,571	607	180,178	3,524
Cash and cash equivalents end of year	\$ 164,181	-	164,181	3,973
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (235,779)	22,775	(213,004)	449
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Commodities used	23,807	-	23,807	-
Depreciation	13,653	-	13,653	-
Decrease in accounts receivable	3,169	-	3,169	-
Increase in inventories	(12,652)	-	(12,652)	-
Decrease in deferred outflows of resources	2,692	-	2,692	-
Increase (Decrease) in accounts payable	(312)	96	(216)	-
Increase in net pension liability	1,347	-	1,347	-
Increase in deferred inflows of resources	10,340	-	10,340	-
Decrease in OPEB liability	(3,506)	-	(3,506)	-
Net cash provided (used) by operating activities	\$ (197,241)	22,871	(174,370)	449

Non-cash investing, capital and financing activities:

During the year ended June 30, 2020, the District received \$23,807 of federal commodities.

See notes to financial statements.

Wayne Community School District

Notes to Financial Statements

June 30, 2020

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Wayne Community School District (District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the City of Corydon, Iowa, and the predominate agricultural territory in Wayne, Lucas and Decatur Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne, Lucas and Decatur County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

Additionally, the District reports a non-major proprietary fund. The Internal Service, Health Insurance Fund is used to account for costs associated with the District's partial self-funded health insurance program. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	30,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Improvements other than buildings	20
Intangibles	5-10
Furniture and equipment	3-15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers and other school personnel with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of income surtax, federal grant revenue received in advance, other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and unrecognized items not yet charged to pension expense.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, expenditures exceeded the amounts budgeted in the other expenditures function.

(2) **CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS**

Because the District's depository resolution did not document the maximum dollar amount which may be kept on deposit in each depository, it is unclear if the District's deposits in banks at June 30, 2020 and at other times during the year, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$34,375 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

(3) DUE FROM AND DUE TO OTHER FUNDS

The details of interfund receivables and payables at June 30, 2020 are as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects:	Special Revenue	
Physical Plant and Equipment Levy	Management Levy	\$ 14,965
Special Revenue:	Enterprise:	
Student Activity	FFA Student Farm	8,304
Total		<u>\$ 23,269</u>

The above due from/to amounts represents loans between funds, and to correct improper recording of transactions.

(4) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects:	
	Statewide Sales, Services and Use Tax	\$ 386,974
	Physical Plant and Equipment Levy	23,676
		<u>410,650</u>
General	Enterprise:	
	School Nutrition	1,338
Total		<u>\$ 411,988</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) **CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 304,618	-	-	304,618
Total capital assets not being depreciated	304,618	-	-	304,618
Capital assets being depreciated:				
Buildings	8,468,763	74,997	-	8,543,760
Improvements other than buildings	3,850,019	60,837	-	3,910,856
Furniture and equipment	1,577,954	404,999	(205,900)	1,777,053
Total capital assets being depreciated	13,896,736	540,833	(205,900)	14,231,669
Less accumulated depreciation for:				
Buildings	6,858,408	239,401	-	7,097,809
Improvements other than buildings	1,158,273	182,837	-	1,341,110
Furniture and equipment	1,262,317	95,516	(124,805)	1,233,028
Total accumulated depreciation	9,278,998	517,754	(124,805)	9,671,947
Total capital assets being depreciated, net	4,617,738	23,079	(81,095)	4,559,722
Governmental activities capital assets, net	\$ 4,922,356	23,079	(81,095)	4,864,340
Business type activities:				
Furniture and equipment	\$ 276,825	44,598	-	321,423
Less accumulated depreciation	180,600	13,653	-	194,253
Business type activities capital assets, net	\$ 96,225	30,945	-	127,170

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 1,277
Other	3,553

Support services:

Operation and maintenance of plant	193,542
Transportation	79,981
	<u>278,353</u>
Unallocated	<u>239,401</u>

Total depreciation expense - governmental activities \$ 517,754

Business type activities:

Food service operations	<u>\$ 13,653</u>
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(6) **LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance Beginning of Year,	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 2,285,000	2,190,000	2,285,000	2,190,000	210,000
Capital lease	226,204	315,500	172,914	368,790	142,810
Compensated absences	36,098	57,641	36,098	57,641	57,641
Net pension liability	3,354,346	-	325,149	3,029,197	-
Total OPEB liability	1,769,555	-	367,969	1,401,586	-
Total	\$ 7,671,203	2,563,141	3,187,130	7,047,214	410,451
Business type activities:					
Net pension liability	\$ 95,562	1,347	-	96,909	-
Total OPEB liability	48,676	-	3,506	45,170	-
Total	\$ 144,238	1,347	3,506	142,079	-

Revenue Bonds

Details of the District's June 30, 2020 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 18, 2019			
	Interest Rates	Principal	Interest	Total
2021	2.10%	\$ 210,000	45,446	255,446
2022	2.10%	195,000	39,533	234,533
2023	2.10%	195,000	35,437	230,437
2024	2.10%	200,000	31,290	231,290
2025	2.10%	205,000	27,038	232,038
2026-2030	2.10%	1,185,000	67,778	1,252,778
Total		\$ 2,190,000	246,522	2,436,522

In December 2019, the District issued \$2,190,000 School Infrastructure Sales, Services and Use Tax Revenue Refunding Bonds. The bonds were issued to pay the costs of the issuance of the bonds and to refund the outstanding balance of \$2,115,000 of the \$2,900,000 School Infrastructure Sales, Services and Use Tax Bonds issued on November 19, 2013. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through fiscal year 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 41% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,436,522. For the current year, principal and interest paid on both the old and the new bonds and total statewide sales, services and use tax revenues were \$240,274 and \$593,126, respectively.

The District obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$88,020 on the refunding.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Capital Lease

On May 24, 2016, the District entered into a capital lease agreement for the purchase of two buses. The interest rate imputed on this lease is 2.66% per annum and is payable in four annual installments of varying amounts, with the first installment due beginning September 1, 2016.

On May 31, 2017, the District entered into a capital lease agreement for the purchase of two buses. The interest rate imputed on this lease is 3.00% per annum and is payable in four annual installments of varying amounts, with the first installment due beginning September 1, 2017.

On July 23, 2019, the District entered into a capital lease agreement for the purchase of four buses. The interest rate imputed on this lease is 3.50% per annum and is payable in six annual installments of varying amounts, with the first installment due beginning August 15, 2019.

These leases will be paid from physical plant and equipment levy revenues or from statewide sales, services and use tax revenues. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2020.

Year Ended June 30,	Amount
2021	\$ 156,588
2022	50,588
2023	50,588
2024	50,588
2025	100,000
Minimum Lease Payments	408,352
Less Amount Representing Interest	(39,562)
Present Value of Minimum Lease Payments	<u>\$ 368,790</u>

(7) **OPERATING LEASE**

The District entered into various leases for the lease of electronic equipment. The leases have been classified as operating leases and, accordingly, all rents are charged to expense as incurred. The lease terms are five years in length.

The following is a schedule of future payments required under the operating leases which have an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2020:

Year Ended June 30,	Amount
2021	\$ 26,211
2022	26,211
2023	25,225
2024	1,691
	<u>\$ 79,338</u>

During the fiscal year, total expenditures incurred in relation to these lease agreements were \$26,062.

(8) **PENSION PLAN**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 totaled \$393,766.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the District reported a liability of \$3,126,106 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the District's proportion was 0.0539853%, which was a decrease of 0.000531% under its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the District recognized pension expense of \$566,659. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,666	112,398
Changes of assumptions	334,851	-
Net difference between projected and actual earnings on IPERS' investments	-	352,275
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	38,611	92,378
District contributions subsequent to the measurement date	393,766	-
Total	\$ 775,894	557,051

\$393,766 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	\$ 59,281
2022	(96,531)
2023	(63,005)
2024	(63,551)
2025	(11,117)
	<u>\$ (174,923)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.

Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 5,550,956	3,126,106	1,092,169

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2020, the District reported payables to IPERS of \$0 for legally required District contributions and \$0 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(9) **OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description – The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. Retirees who receive payments to a Health Reimbursement Account are included in the actuarial valuation as an explicit liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	<u>61</u>
Total	<u><u>67</u></u>

Total OPEB Liability – The District's total OPEB liability of \$1,446,756 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled forward from the June 30, 2019 valuation date to the June 30, 2020 measurement date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2020)	2.50% per annum.
Rates of salary increase (effective June 30, 2020)	2.00% per annum, including inflation.
Discount rate (effective June 30, 2020)	2.45% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	6.40% initial rate decreasing over several decades to an ultimate rate of 4.40%.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.45% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	<u>\$ 1,818,231</u>
Changes for the year:	
Service cost	141,793
Interest	56,911
Differences between expected and actual experiences	(411,047)
Change in assumptions	27,562
Benefit payments	<u>(186,694)</u>
Net changes	<u>(371,475)</u>
Total OPEB liability end of year	<u><u>\$ 1,446,756</u></u>

Changes of assumptions reflect a change in the discount rate from 3.13% in fiscal year 2019 to 2.45% in fiscal year 2020.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.45%) or 1% higher (3.45%) than the current discount rate.

	<u>1% Decrease (1.45%)</u>	<u>Discount Rate (2.45%)</u>	<u>1% Increase (3.45%)</u>
Total OPEB liability	\$ 1,530,528	1,446,756	1,366,412

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.40%) or 1% higher (7.40%) than the current healthcare cost trend rates.

	<u>1% Decrease (5.40%)</u>	<u>Healthcare Cost Trend Rate (6.40%)</u>	<u>1% Increase (7.40%)</u>
Total OPEB liability	\$ 1,390,344	1,446,756	1,513,326

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the District recognized OPEB expense of (\$184,781). The District elected to use the Alternative Measurement Method (AMM) as allowed by GASB Statement No. 75 for entities with fewer than 100 active and inactive employees. Certain items such as the differences between expected and actual experience and changes in assumptions and other inputs are recognized in the current year when using the AMM and, therefore, there are no deferred outflows of resources or deferred inflows of resources related to OPEB.

(10) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District has a partially self-funded health insurance program. The District funds the difference between the deductible and out-of-pocket maximum on the plan chosen by the employee and the plan actually purchased by the District, per plan. This difference consists of a maximum District cost of \$3,000 per policy. The District incurred \$39,463 in costs related to this program for the year ended June 30, 2020. The financial activity of this plan is accounted for in the Internal Service, Health Insurance Fund. The reserve for future casualty losses was \$3,973 at June 30, 2020.

(11) AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$246,610 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) COMMITMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

(13) CATEGORICAL FUNDING

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

Program	Amount
Home school assistance	\$ 183,075
Teacher salary supplement	35,567
Four year old Preschool State Aid	77,090
Beginning administrator mentoring and induction program	1,738
Professional development supplement	122,404
Teacher leadership State aid	69,589
Total	<u>\$ 489,463</u>

(14) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the District, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the District. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the District's operations and finances.

(15) SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 12, 2021, which is the date the financial statements were available to be issued.

In fiscal year 2021, the District signed a lease for the lease-purchase of vehicles. The total principal amount of this lease is \$185,200. This lease is scheduled to be paid off in fiscal year 2024.

(16) PROSPECTIVE ACCOUNTING CHANGE

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Required Supplementary Information

Wayne Community School District
 Budgetary Comparison Schedule of
 Revenues, Expenditures/Expenses and Changes in Balances -
 Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance
						Original	Final	
Revenues:								
Local sources	\$ 3,421,457	178,430	3,599,887	39,912	3,559,975	3,489,553	3,489,553	70,422
State sources	4,475,390	2,723	4,478,113	-	4,478,113	4,349,825	4,349,825	128,288
Federal sources	360,919	226,320	587,239	-	587,239	480,000	480,000	107,239
Total revenues	8,257,766	407,473	8,665,239	39,912	8,625,327	8,319,378	8,319,378	305,949
Expenditures/Expenses:								
Instruction	5,014,857	-	5,014,857	-	5,014,857	5,220,000	5,220,000	205,143
Support services	2,136,129	-	2,136,129	-	2,136,129	2,450,000	2,450,000	313,871
Non-instructional programs	2,420	390,311	392,731	39,463	353,268	365,000	390,000	36,732
Other expenditures	3,209,039	-	3,209,039	-	3,209,039	819,854	3,119,000	(90,039)
Total expenditures/expenses	10,362,445	390,311	10,752,756	39,463	10,713,293	8,854,854	11,179,000	465,707
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,104,679)	17,162	(2,087,517)	449	(2,087,966)	(535,476)	(2,859,622)	771,656
Other financing sources, net	2,636,871	(1,338)	2,635,533	-	2,635,533	200,000	-	2,635,533
Change in fund balance	532,192	15,824	548,016	449	547,567	(335,476)	(2,859,622)	3,407,189
Balances beginning of year	4,828,484	164,383	4,992,867	3,524	4,989,343	4,030,744	4,651,380	337,963
Balances end of year	\$ 5,360,676	180,207	5,540,883	3,973	5,536,910	3,695,268	1,791,758	3,745,152

See accompanying independent auditor's report.

Wayne Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The Wayne Community School District's (District) budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$2,324,146.

During the year ended June 30, 2020, expenditures in the other expenditures function exceeded the amount budgeted.

Wayne Community School District

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.053985%	0.054516%	0.053600%	0.055775%	0.054886%	0.053852%
District's proportionate share of the net pension liability	\$ 3,126	3,450	3,570	3,510	2,712	2,179
District's covered payroll	\$ 4,107	4,064	4,001	4,003	3,760	3,778
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.11%	84.89%	89.23%	87.68%	72.13%	57.69%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Wayne Community School District
Schedule of District Contributions
Iowa Public Employees' Retirement System
For the Last Nine Years
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 394	388	363	357	357	337	321	312	287
Contributions in relation to the statutorily required contribution	(394)	(388)	(363)	(357)	(357)	(337)	(321)	(312)	(287)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-
District's covered payroll	\$ 4,171	4,107	4,064	4,001	4,003	3,778	3,597	3,599	3,561
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See accompanying independent auditor's report.

Wayne Community School District

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Wayne Community School District
Schedule of Changes in the District's
Total OPEB Liability, Related Ratios and Notes

For the Last Three Years
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 141,793	139,013	153,883
Interest cost	56,911	50,543	51,580
Difference between expected and actual experience	(411,047)	-	(2,294)
Change in assumptions	27,562	32,895	-
Benefit payments	(186,694)	(16,126)	(16,126)
Net change in total OPEB liability	(371,475)	206,325	187,043
Total OPEB liability beginning of year	1,818,231	1,611,906	1,424,863
Total OPEB liability end of year	<u>\$ 1,446,756</u>	<u>1,818,231</u>	<u>1,611,906</u>
Covered employee payroll	\$ 3,441,914	2,633,787	2,582,387
Total OPEB liability as a percentage of covered-employee payroll	42.03%	69.03%	62.42%

See accompanying Independent Auditor's Report.

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	2.45%
Year ended June 30, 2019	3.13%
Year ended June 30, 2018	3.62%
Year ended June 30, 2017	3.62%

Supplementary Information

Wayne Community School District

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020

	Special Revenue		
	Student Activity	Management Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 65,967	350,503	416,470
Receivables:			
Property tax:			
Delinquent	-	1,545	1,545
Succeeding year	-	275,000	275,000
Due from other funds	8,304	-	8,304
Total assets	\$ 74,271	627,048	701,319
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 8,761	-	8,761
Due to other funds	-	14,965	14,965
Total liabilities	8,761	14,965	23,726
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	275,000	275,000
Total deferred inflows of resources	-	275,000	275,000
Fund balances:			
Restricted for:			
Management levy purposes	-	337,083	337,083
Student activities	65,510	-	65,510
Total fund balances	65,510	337,083	402,593
Total liabilities, deferred inflows of resources and fund balances	\$ 74,271	627,048	701,319

See accompanying independent auditor's report.

Wayne Community School District

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2020

	Special Revenue		Total
	Student Activity	Management Levy	
Revenues:			
Local sources:			
Local tax	\$ -	156,797	156,797
Other	185,041	6,990	192,031
State sources	-	1,216	1,216
Total revenues	185,041	165,003	350,044
Expenditures:			
Current:			
Instruction:			
Regular	-	183,673	183,673
Special	-	10,675	10,675
Other	177,185	14,140	191,325
Support services:			
Student	-	689	689
Instructional staff	-	2,369	2,369
Administration	-	57,289	57,289
Operation and maintenance of plant	-	48,578	48,578
Transportation	-	21,362	21,362
Non-instructional programs	-	2,420	2,420
Total expenditures	177,185	341,195	518,380
Change in fund balances	7,856	(176,192)	(168,336)
Fund balances beginning of year	57,654	513,275	570,929
Fund balances end of year	\$ 65,510	337,083	402,593

See accompanying independent auditor's report.

Wayne Community School District

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2020

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Secondary student athletics fund	\$ 63	32,013	39,657	7,581	-
Activity tickets	-	8,085	-	(4,388)	3,697
Pulication/plays fund	995	335	538	-	792
HS music fund	3,567	3,030	764	-	5,833
JH music fund	885	516	480	-	921
Cross country	-	1,060	1,138	78	-
Golf	3,284	-	1,683	-	1,601
Boys basketball	4,580	3,039	5,435	-	2,184
Football	-	11,503	10,744	-	759
Baseball	-	4,153	4,349	196	-
Wrestling	-	-	1,647	1,647	-
Girls basketball	6,392	1,751	4,486	-	3,657
Volleyball	1,708	5,215	3,187	-	3,736
Softball	1,302	11,928	10,498	-	2,732
Girls track	-	1,154	824	-	330
HS weight room	1,839	1,000	1,692	-	1,147
Class - seniors	437	-	300	(137)	-
Class - juniors	-	6,275	3,750	100	2,625
Class - sophomore	-	100	-	(50)	50
Class - freshman	-	50	-	(50)	-
Sp Ed Coffee Shop	-	373	100	-	273
Yearbook	3,854	4,135	7,163	-	826
FBLA	8,249	11,101	9,453	-	9,897
FFA	1,434	40,924	38,776	(276)	3,306
FCCLA	1,361	1,545	1,414	-	1,492
HS student council	1,424	1,288	1,418	-	1,294
Art club	2,024	725	486	-	2,263
Spanish club	2,249	465	340	-	2,374
Cheerleaders	-	8,636	5,516	(1,554)	1,566
History club	1,443	96	-	-	1,539
HS TAG club	206	-	-	-	206
Brain bowl	440	1,136	645	-	931
Athletic leadership council	2,533	-	-	-	2,533
Unified special olympics	177	1,000	394	-	783
Farm to fork	-	12,498	9,243	(3,255)	-
JH clubs/organization	-	2,067	2,073	6	-
JH student council	1,051	-	1,153	102	-
Elem clubs/organizations	38	-	-	-	38
Elem library	-	3,475	3,475	-	-
Elem afterschool program	1,879	-	-	-	1,879
Elem sports	3,567	4,370	4,364	-	3,573
Elem wrestling club	673	-	-	-	673
Total	\$ 57,654	185,041	177,185	-	65,510

See accompanying independent auditor's report.

Wayne Community School District

Schedule 4

Combining Balance Sheet
Capital Projects Fund Accounts

June 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 661,906	79,683	741,589
Receivables:			
Property tax:			
Delinquent	-	773	773
Succeeding year	-	89,033	89,033
Due from other funds	-	14,965	14,965
Due from other governments	49,953	-	49,953
Total assets	\$ 711,859	184,454	896,313
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 74,420	-	74,420
Total liabilities	74,420	-	74,420
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	89,033	89,033
Other	12,548	-	12,548
Total deferred inflows of resources	12,548	89,033	101,581
Fund balances:			
Restricted for:			
School infrastructure	624,891	-	624,891
Physical plant and equipment	-	95,421	95,421
Total fund balances	624,891	95,421	720,312
Total liabilities, deferred inflows of resources and fund balances	\$ 711,859	184,454	896,313

See accompanying independent auditor's report.

Wayne Community School District

Schedule 5

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Capital Projects Fund Accounts

Year ended June 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	78,443	78,443
Other	12,586	31,008	43,594
State sources	593,126	609	593,735
Federal sources	3,581	-	3,581
Total revenues	609,293	110,060	719,353
Expenditures:			
Current:			
Support services:			
Transportation	315,500	10,804	326,304
Other expenditures:			
Facilities acquisition	344,411	41,167	385,578
Total expenditures	659,911	51,971	711,882
Excess (deficiency) of revenues over (under) expenditures	(50,618)	58,089	7,471
Other financing sources (uses)			
Sale of capital assets	106,264	-	106,264
Issuance of capital lease	315,500	-	315,500
Transfers out	(386,974)	(23,676)	(410,650)
Total other financing sources (uses)	34,790	(23,676)	11,114
Change in fund balances	(15,828)	34,413	18,585
Fund balances beginning of year	640,719	61,008	701,727
Fund balances end of year	\$ 624,891	95,421	720,312

See accompanying independent auditor's report.

Wayne Community School District

Schedule 6

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Nine Years

	Modified Accrual Basis								
	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:									
Local sources:									
Local tax	\$ 2,566,686	2,515,803	2,345,788	2,248,772	2,322,953	2,432,528	2,963,277	3,302,481	3,539,827
Tuition	417,073	418,286	489,046	384,576	328,388	304,797	253,070	267,842	211,339
Other	437,698	423,630	355,966	352,129	525,055	481,078	374,022	410,125	426,687
State sources	4,475,390	4,253,001	4,096,537	3,899,327	3,649,060	3,588,647	3,741,000	3,094,434	3,466,804
Federal sources	360,919	378,746	373,667	308,522	299,422	281,487	258,635	270,794	396,268
Total	\$ 8,257,766	7,989,466	7,661,004	7,193,326	7,124,878	7,088,537	7,590,004	7,345,676	8,040,925
Expenditures:									
Instruction:									
Regular	\$ 2,857,132	2,785,045	2,762,149	2,788,294	2,755,187	2,563,224	2,614,945	2,610,217	2,532,587
Special	786,220	817,039	811,126	711,951	756,988	770,612	807,931	737,896	813,032
Other	1,371,505	1,337,815	1,405,949	1,279,388	1,189,972	1,158,684	1,094,462	1,006,562	950,699
Support services:									
Student	55,608	52,066	51,480	73,347	71,299	62,214	58,379	60,263	67,089
Instructional staff	185,024	167,906	176,990	160,322	162,236	195,827	130,962	126,822	112,481
Administration	720,394	676,889	617,006	624,343	616,340	578,162	620,890	580,597	535,662
Operation and maintenance of plant	526,621	563,444	560,478	548,112	497,806	644,729	629,519	516,330	515,442
Transportation	648,482	351,515	446,654	473,635	537,187	317,961	372,642	300,129	326,842
Non-instructional programs	2,420	1,152	1,263	965	940	-	-	-	-
Other expenditures:									
Facilities acquisition	385,578	435,090	458,564	358,247	225,152	1,883,906	2,035,790	339,159	330,151
Long-term debt:									
Principal	2,457,914	203,034	196,517	171,635	625,000	50,000	50,000	275,000	270,000
Interest and other charges	118,937	85,769	87,567	94,502	115,905	131,563	27,498	36,672	47,572
AEA flowthrough	246,610	239,525	237,929	227,739	228,883	230,001	229,818	220,691	224,237
Total	\$ 10,362,445	7,716,289	7,813,672	7,512,480	7,782,895	8,586,883	8,672,836	6,810,338	6,725,794

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Wayne Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wayne Community School District (District) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items I-A-20, I-B-20 and I-C-20 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co., PLC

February 12, 2021

Wayne Community School District

Schedule of Findings

Year ended June 30, 2020

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of Wayne Community School District (District) financial statements.

Condition – Generally, one or two individuals has control over each of the following areas for which minimal or no compensating controls exist:

- (1) Cash – initiating cash disbursement transactions and recording cash.
- (2) Investments – investing, detailed recordkeeping, custody of investments and reconciling earnings.
- (3) Receipts – recording, journalizing, posting and reconciling.
- (4) Disbursements – purchase order processing, check preparation, mailing and recording.
- (5) Capital assets – purchasing, recording and reconciling.
- (6) Long-term debt – recording, reconciling and performing cash functions.
- (7) Wire transfers – processing and approving.
- (8) Payroll – recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- (9) Transfers – preparing and approving.
- (10) Financial reporting – preparing, reconciling and approving.
- (11) Computer systems – performing all general accounting functions and controlling all data input and output.
- (12) Journal entries – writing, approving and posting.

Cause – The District has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The District should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Wayne Community School District

Schedule of Findings

Year ended June 30, 2020

Response – The District will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

I-B-20 Preparation of Full Disclosure Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the District. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that District officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with generally accepted accounting principles.

Conclusion – Response acknowledged.

I-C-20 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District's financial statements.

Condition – Material adjustments were made to assets, liabilities, revenues and expenditures balances and accounts as of June 30, 2020 and for the fiscal year ending June 30, 2020.

Cause – District policies do not require and procedures have not been established to provide for an independent review of the financial statements and transactions to ensure these amounts are materially accurate.

Effect – Lack of District policies and procedures resulted in personnel not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the District's financial statements were necessary.

Wayne Community School District

Schedule of Findings

Year ended June 30, 2020

Recommendation – The District should establish procedures to ensure all transactions are properly recorded and reported in the District's financial statements.

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Wayne Community School District

Schedule of Findings

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-20 Certified Budget – Expenditures for the year ended June 30, 2020 exceeded the amounts budgeted in the other expenditures function.

The notice of public hearing for the May 2020 budget amendment was not published 10-20 before the public hearing, as required by Chapter 24.9 of the Code of Iowa.

The budget amendment was passed by the Wayne Community School District (District) on May 28, 2020. However, at this board meeting, there was no indication that a public hearing was held for this budget amendment, as required by Chapter 24.9 of the Code of Iowa.

In one instance, the beginning number on the budget amendment did not agree to the ending number on the original budget.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the code of Iowa before expenditures were allowed to exceed the budget. The District should also ensure that the notice of public hearing is published in accordance with the Code of Iowa requirements. In addition, the board minutes should document when a public hearing is held, in accordance with the Code of Iowa. Also, the beginning numbers on the budget amendment should agree with the ending numbers on the original budget.

Response – The District will re-evaluate the certified budget and make amendments at the time of budgeting for the next certified budget year. In addition, we will also implement the other recommendations.

Conclusion – Response acknowledged.

- II-B-20 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-20 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-20 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-20 Restricted Donor Activity – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-F-20 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-G-20 Board Minutes – No transactions were found that should have been approved in the Board minutes but were not.

For three of four minutes tested, the board minutes and the related schedule of bills were not timely published. Chapter 279.35 of the Code of Iowa requires that all board minutes be published within two weeks of the board meeting.

Recommendation – We recommend that the Board meeting minutes and the related schedule of bills allowed be published within two weeks of the Board meeting as required by the Code of Iowa.

Wayne Community School District

Schedule of Findings

Year ended June 30, 2020

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

II-H-20 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-I-20 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-J-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted, except that the depository resolution amount for one bank was not documented as required by Chapter 12C.2 of the Code of Iowa. Chapter 12C.2 requires that, by resolution, the District specify the maximum amount which may be kept on deposit in each depository.

Recommendation – The District should implement procedures to ensure compliance with Chapter 12C.2 of the Code of Iowa in relation to depository resolutions.

Response – We will implement this recommendation,

Conclusion – Response acknowledged.

II-K-20 Certified Annual Report – The Certified Annual Report was not properly certified to the Iowa Department of Education by September 15, 2020.

Recommendation – In the future, the District should ensure the Certified Annual Report is certified timely to the Iowa Department of Education.

Response – We will ensure the Certified Annual Report is timely filed in the future.

Conclusion - Response acknowledged.

II-L-20 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

II-M-20 Statewide Sales, Serviced and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2020 audit:

Wayne Community School District

Schedule of Findings

Year ended June 30, 2020

Beginning balance		\$ 640,719
Revenues/transfers in:		
Sales tax revenues	\$ 593,126	
Other local revenues	12,586	
Federal revenues	3,581	
Sale of capital assets	106,264	
Issuance of capital lease	315,500	1,031,057
		<u>1,671,776</u>
Expenditures/transfers out:		
School infrastructure construction	337,820	
Equipment	322,091	
Transfers to other funds:		
Debt service fund	386,974	1,046,885
		<u>1,046,885</u>
Ending balance		<u>\$ 624,891</u>

For the year ended June 30, 2020, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-N-20 Revenue Bonds - No instances of non-compliance with the revenue bond resolutions were noted,

II-O-20 Financial Condition – As noted on the Statement of Net Position, the Governmental Activities had a deficit unrestricted net position of \$558,115 at June 30, 2020.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return the fund to a sound financial condition.

Response – The District will try to decrease expenditures and increase revenues so the Governmental Activities Fund does not show a deficit balance at year-end.

Conclusion – Response acknowledged.

II-P-20 Excess Funds – Categorical funds consisting of the home school assistance program and the professional development supplement programs all had approximately two years of revenues in those accounts. As a result, the balances in these accounts may be excessive.

Recommendation – The District should review the balances in the categorical accounts and implement procedures to ensure these balances are not excessive.

Response – We will evaluate the categorical accounts for reasonableness.

Conclusion – Response acknowledged.

II-Q-20 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District does not receive an image of the back of each cancelled check for one bank.

Wayne Community School District

Schedule of Findings

Year ended June 30, 2020

Recommendation – The District should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – We will implement this recommendation

Conclusion – Response acknowledged.

- II-R-20 Payroll/Disbursements – It appears some employee wages were not reported to the Iowa Workforce Development, as required.

State of Iowa sales tax was paid on two purchases tested. As a governmental entity, the District is exempt from the payment of sales taxes to the State of Iowa.

Recommendation – The District should implement procedures to ensure all wages are reported to the Iowa Workforce Development, as required. In addition, the District should not pay State of Iowa sales tax.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- II-S-20 Employee Pay Out – One instance was noted where an employee was paid for her sick leave at termination of employment. However, we could not locate where this payout was approved by the Board. In addition, no written board policy or District policy was located which documents that the employee would be eligible to receive pay out of sick leave at termination of employment.

Recommendation – The Board should approve of sick leave pay outs at termination of employment.

Recommendation – This will be implemented should this issue ever arise in the future.

Conclusion – Response acknowledged.